Executive Summary and Key Findings

The global growth of outbound travel represents an unprecedented opportunity to increase U.S. travel and tourism exports. According to the United Nations World Tourism Organization (UNWTO), international visitors spent an estimated $1.2 trillion globally on travel and tourism in 2013. However, the U.S. share of global expenditures has declined over the last decade. With so much revenue at stake, governments around the world are trying to lure would-be travelers to their countries with facilitative policies and aggressive marketing. As incomes around the world continue to rise and the demand for travel and tourism continues to grow, so too, will the competition for international arrivals and spending. Few industries have the job-creating potential seen with the travel and tourism industry, so focusing U.S. efforts on these top markets could pay tremendous dividends.

As one of America's largest employers, the U.S. travel and tourism industry is profoundly important to the U.S. economy. Travel and tourism has grown into a $1.5 trillion industry that supports nearly 7.6 million U.S. jobs, 1.1 million of which are supported by travel and tourism-related exports. Indeed, one out of every 18 Americans is employed by travel and tourism-related businesses[i], businesses that pay out more than $220 billion in employee compensation each year.[ii]

Everyone benefits from travel and tourism, not just the travel and tourism industry. Travelers—and their spending—help support local communities and small businesses; schools, banks, and infrastructure; farms, museums, shopping malls and family-owned restaurants. Travel and tourism generates billions in local, state, and federal taxes, nearly $1,100 per household.[iii] Quite simply, travel and tourism supports America.

Each day in the United States, international visitors inject more than $588 million into the U.S. economy while experiencing all that America has to offer. In fact, international visitors spent a record-breaking $215 billion in the United States in 2013, an increase of more than seven percent when compared to 2012. Conversely, U.S. residents spent an estimated $137 billion abroad in 2013, resulting in a balance of trade surplus of more than $78 billion—the 25th consecutive year that the United States has enjoyed a favorable balance of trade for travel and tourism.

Travel and tourism has become a significant industry in U.S. trade. Travel and tourism exports now account for nearly one-third (31 percent) of all U.S. services exports and more than nine percent of all U.S. exports, positioning travel and tourism as America's largest services producing industry. Every one dollar spent directly on travel and tourism-related goods and services generates an additional $0.72 of output in ancillary industries (e.g., toiletries for hotel guests, fuel for airplanes, linens for restaurants); therefore, an additional $10 billion in tourism spending could translate into an additional $16.8 billion for the U.S. economy.

Market Intelligence: Understanding the Overseas Traveler

Here is what we know about overseas travelers to the United States:

Regions and Countries of Origin—Nearly 38 percent of all overseas arrivals in the United States came from Western Europe in 2013, followed by Asia (28 percent), South America (16 percent), Oceania (four percent), and the Caribbean (four percent). The Middle East, Eastern Europe, and Central America each accounted for three percent of overseas arrivals, while Africa accounted for the fewest overseas arrivals (one percent). The United Kingdom produced the largest number of overseas arrivals (3.8 million), followed by Japan (3.7 million), Brazil (2.1 million), Germany (1.9

Figure 1: Projected Top Markets for Travel and Tourism Exports

1. Canada
2. Mexico
3. China
4. United Kingdom
5. Japan
6. Brazil
7. Germany
8. France
9. Korea
10. Australia
11. India

million), and China (1.8 million) rounding out the top five overseas origin markets in terms of arrivals, or 42 percent of all overseas arrivals.

Ports of Entry—New York, New York was the top U.S. port of entry used by overseas travelers visiting the United States in 2013, welcoming 18 percent of all overseas arrivals. New York was followed by Miami, Florida (15 percent), Los Angeles, California (10 percent), Honolulu, Hawaii (seven percent), and Newark, New Jersey (six percent). These five ports of entry cumulatively account for more than half (56 percent) of all overseas arrivals to the United States.

Purpose of Trip—As to the main purpose of their trip to the United States, the majority of overseas arrivals reported they were on vacation or holiday (57 percent), followed by visiting friends and relatives (17 percent), business (12 percent), convention/conference/trade show (seven percent), and education (five percent). When considering all purposes of their trip (multiple responses), the net purpose of business and leisure totaled 22 percent and 79 percent, respectively.

U.S. Destinations Visited: States and Cities—New York was by far the most popular U.S. state visited by overseas travelers, having welcomed nearly one-third (31 percent) of all overseas visitors in 2013, followed by Florida (23 percent), California (20 percent), Hawaii (10 percent), and Nevada (nine percent). The U.S. cities most frequented by overseas visitors in 2013 included New York City (30 percent), Miami (13 percent), Los Angeles-Long Beach (12 percent), Orlando (12 percent), and San Francisco (10 percent).

Number of States Visited—The overwhelming majority (72 percent) of overseas travelers visited only one state during their stay in the United States; slightly more than 16 percent visited two U.S. states; and 12 percent of overseas travelers visited three or more U.S. states. Intuitively, the data suggest that those who have been here before (repeat visitors) were most likely to visit one U.S. state; first-time visitors, however, were more mobile and more likely to visit more than one U.S. state during their stay.

Leisure Activities—The top leisure activities of overseas visitors are shopping (88 percent), sightseeing (77 percent), experiencing fine dining (39 percent), visiting national parks and monuments (34 percent), visiting art galleries and/or museums (28 percent), visiting amusement/theme parks (28 percent), traveling to historical locations (27 percent), traveling to small towns/countryside (27 percent), guided tours (24 percent), and attending concerts/plays/musicals (18 percent). Some other activities with double-digit participation rates include visiting cultural/ethnic heritage sites (16 percent), nightclubbing/dancing (16 percent), sporting events (13 percent), and water sports (10 percent).

Transportation Used in the United States—In 2013, the mode of travel most popular with overseas visitors while in the United States was the use of a taxicab/limousine (35 percent), followed by rental cars (33 percent), air transportation between U.S. cities (33 percent), city subway/tram/bus (32 percent), and private or company autos (31 percent). Fewer than seven percent used the U.S. rail system between cities.

Accommodations and Nights in the United States—The overwhelming majority of overseas visitors (78 percent) stayed in hotels, while 30 percent stayed in private homes. The average number of nights overseas visitors stayed in the United States was nearly 18 nights, with 32 percent staying between four to seven nights and seven percent staying 36 or more nights in the United States in 2013.

Decision to Travel—The majority of overseas visitors reported they made the decision to travel to the United States 15 to 30 days before their trips; the average time was 94 days, with nearly one-third (31 percent) making that decision more than 90 days ahead of time. As one would expect, first time travelers had a longer planning horizon, making that decision, on average, 106 nights prior to departure.

Airline Choice—When asked for the three main reasons for flying on their chosen airline, the majority (48 percent) of overseas visitors asserted that the cost of airfare most heavily influenced their decision, followed by convenient schedule (40 percent), non-stop flight (39 percent), previous good experience (25 percent), and mileage bonus/frequent-flyer program (19 percent). When asked for the main (single response) reason they selected their respective airline of choice, the cost of airfare was by far the most important driver of their decision by a margin of nearly two to one when compared to non-stop flights, the second most important determinant in airline choice.

Demographics—The average income of overseas visitors was $94,820 in 2013, with 17 percent of arrivals earning less than $20,000 a year and five percent earning $300,000 or more. More than half (56 percent) earned $60,000 or more in annual income. Regarding occupation, 42 percent work in management, business, science and arts-related fields, followed by services occupations (13 percent) and sales and office work (11 percent). Students accounted for 11 percent, while seven percent were retired. The average age of male and female arrivals from overseas was 41 and 39 years old, respectively.

Export Opportunities

According to the UNWTO, international visitors spent an estimated $1.2 trillion globally on travel and tourism in 2013, an increase of more than seven percent when compared to the previous year.[iv] Travelers from China spent an appreciable $128.6 billion abroad in 2013, positioning China as the world's largest consumer of international tourism. A close second, U.S. residents spent $104.7 billion traveling abroad in 2013, followed by Germany ($91.4 billion), Russia ($53.5 billion), and the United Kingdom ($52.7 billion).[v]

The United States was the largest recipient of these international tourism expenditures; in fact, international visitors spent a record-breaking $215 billion experiencing the United States in 2013, an increase of seven percent over the previous year. Controlling for passenger fares, which are not included in these UNWTO estimates, the United States maintained its 14.5 percent share of global tourism spending[vi]—a share that was once as high as 20.3 percent (2000). The U.S. share of global travel spending has dropped seven straight years since 2000 to a low of 13.5 percent. This was followed by an increase every year to settle at 14.5 percent for the last two years.

Worldwide international arrivals reached nearly 1.1 billion in 2013, an increase of 49 million (five percent) over 2012. The United States welcomed nearly 70 million international visitors in 2013, an increase of five percent, thereby maintaining a 6.4 percent share of global arrivals. The current U.S. share, however, is more than three percentage-points lower than the 9.9 percent share enjoyed in 1992. The U.S. share of global arrivals declined the next nine of 11 years to a low of six percent in 2003-2004 and 2006. Since 2006, the country's annual share of global arrivals has increased slightly to its current share.

Much like the decline in U.S. share of global arrivals, so, too, has the United States lost market share in global receipts. The U.S. share of global receipts (14.5 percent in 2013) has declined nearly six percentage points since 2000, the year in which the share was largest. Had the United States maintained the 20.3 percent share it commanded in 2000, the United States would have received an additional $69.7 billion from international travelers in 2013, supporting an additional 360,000 thousand U.S. jobs.

This presents an enormous opportunity. Dividing total overseas visitor spending by total overseas arrivals yields an average spending-per-person estimate of nearly $5,270 per person; therefore, for every 37 overseas visitors that the United States welcomes, enough demand is generated to support an additional job.[vii]

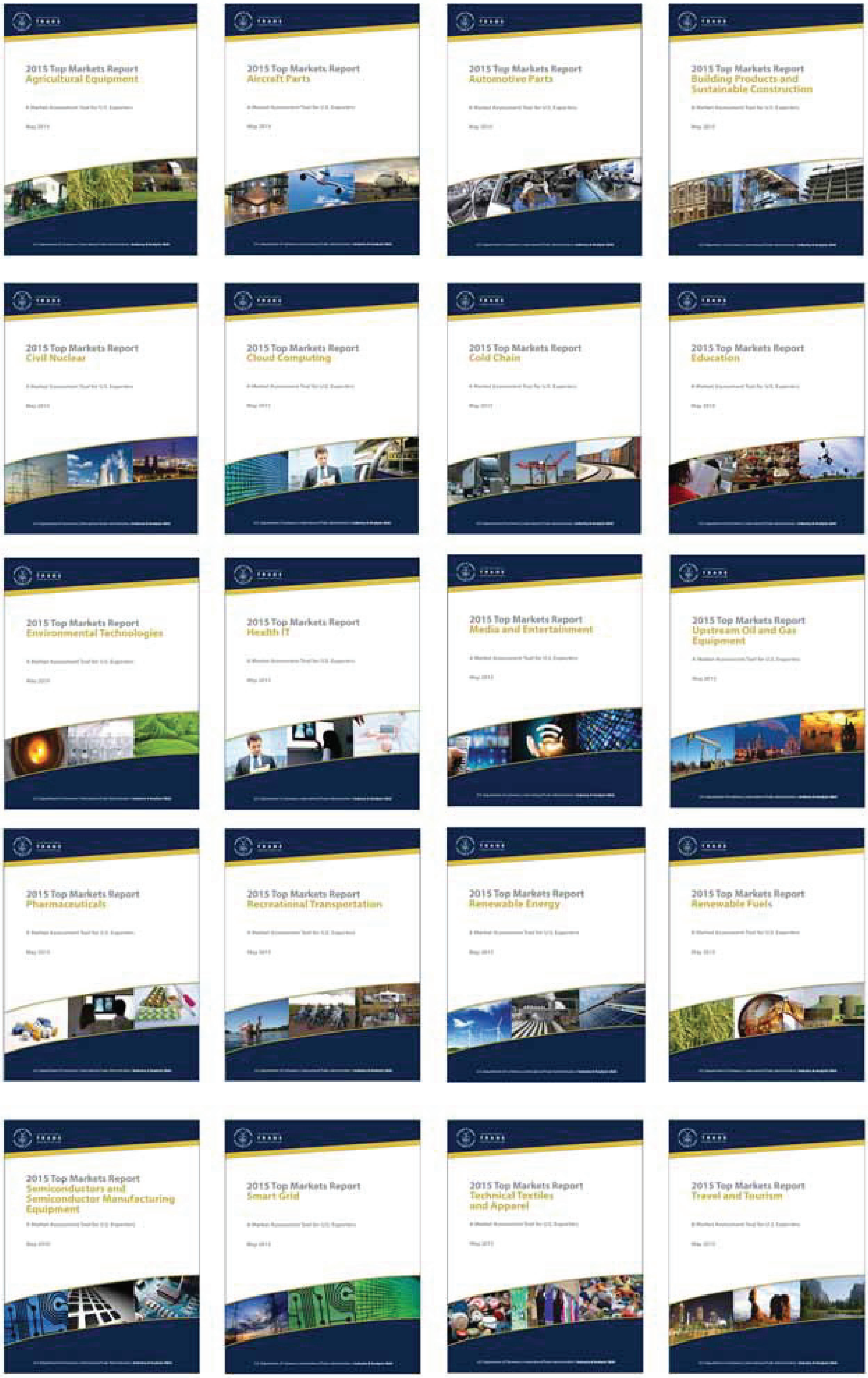
To capitalize on this opportunity, the U.S. Government is making every effort to facilitate travel while increasing security, including refining visa processes, allowing more countries into the Visa Waiver Program and to participate in Global Entry, and negotiating air services agreements.

Additionally, Brand USA, the private sector organization created to promote the United States as a premier travel and tourism destination, will continue to undertake more promotional and marketing campaigns in top markets, including targeting growth segments and communicating improvements in U.S. entry/exit processes.

It is also important for the U.S. travel and tourism industry to ensure that the products they offer match traveler preferences, which may vary from market to market. Traveler preferences and what travelers look for in a destination can change over time, as travel increases, as the traveling demographic changes, and as new trends emerge.

Challenges & Barriers

The U.S. travel and tourism industry is among the most competitive in the world. The United States leads the world in international travel and tourism exports, exporting nearly triple the amount of travel and tourism goods and services being exported by Spain, the closest competitor in terms of receipts. The United States ranks second in its share of global arrivals, behind France, whose arrivals are predominately from other European countries and not the long-haul



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